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March 15, 2023

Docket Control
ARIZONA CORPORATION COMMISSION
1200 West Washington Street
Phoenix, AZ 85007

RE: Arizona Public Service Company (APS or Company)
Docket No. E-01345A-22-0144

On March 14, 2023, Arizona Public Service Company (APS) conducted a 2022 Rate Case Technical Conference in the above-referenced matter. APS is providing a copy of the presentation, attached hereto.

Please let me know if you have any questions.

Sincerely,

/s/ Ashley Kelly

Ashley Kelly

AK/kjr

APS Rate Case Technical Conference

March 14, 2023

Welcome

Jose Esparza

Agenda

- Welcome
- Introduction
- Rate Case Overview
- Revenue Requirement
- Adjustment Mechanisms
- Pro Forma Overview
- Logistics and Testimony Overview
- Q&A
- Closing

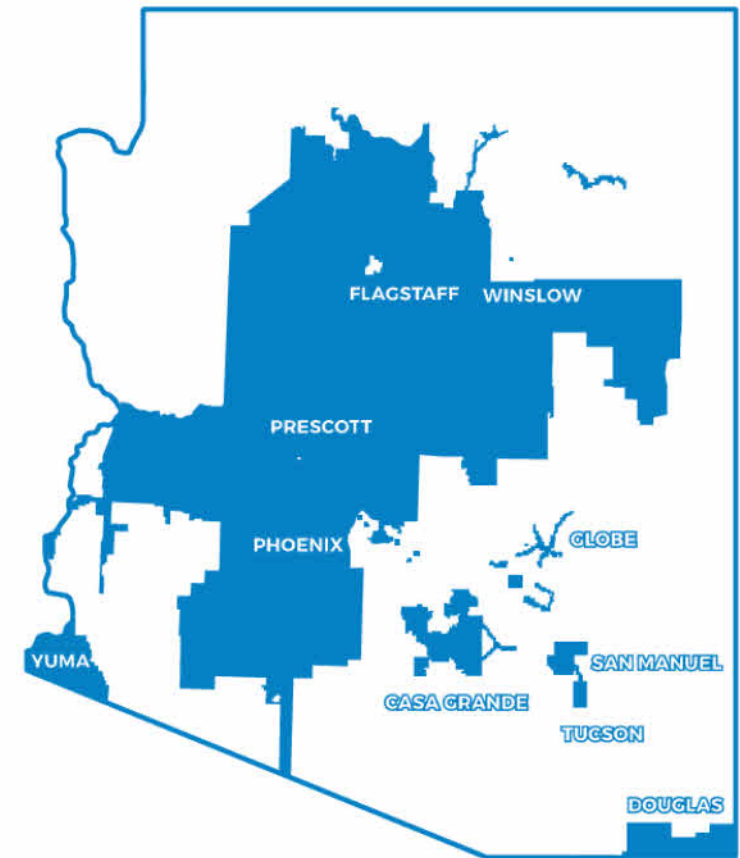
Rate Case Overview

Ted Geisler

APS Service Territory

Since 1886, Arizona's largest and longest-serving utility.

- 34,646 square mile service territory
 - 11 of 15 counties
 - 1.3 million customer accounts (89% residential)
 - Approximately 45% of Phoenix
- ~6,000 employees
- Peak demand is ~7,700 megawatts
- Investor owned (PNW)



2022 Rate Case: **Meeting the Needs of our Customers**

This rate case request is designed to achieve the following goals, which are critical to meet the needs and expectations of our customers:



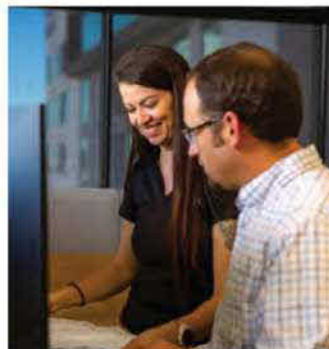
Ensure Reliability
and Resilience



Secure a Cleaner, Balanced
Energy Supply for Arizona



Continuously Improve
Support for Customers



Why File Now?

Ensuring continued reliability

Balancing rising costs to serve

Financial stability supporting Arizona's needs



Agave Solar, 150-megawatt solar plant, currently under construction, expected to be in service by summer 2023.

Major Rate Case Components



Overall Rate Request

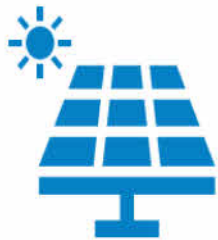
- Proposed net increase of \$460M
- Average 13.6% net bill impact



Revenue Requirement & Customer Proposals

- New assets in service since last case
- Post-Test Year Plant projects to be completed by June 2023
- Industry-aligned Return on Equity
- Additional proposals
 - Responsive to stakeholder feedback
 - Consolidate adjustors
 - Enhancements to Limited Income and other customer programs

REAC Modifications



Secures cost effective resources for customers

Equal footing of PPAs and Company-owned clean energy and storage investments



Customers experience tax benefits sooner

Production Tax Credits matched with recovery



Rate gradualism for needed customer investments



Customer Protections

Annual Earnings Test
Qualifying projects: Consistent with IRP Action Plan, and acquired through All-Source RFP





Rate Case Overview

Ashley Kelly

APS 2022 Rate Case Overview

Rate Case Proposals



ROE: 10.25%

FVI: 1.0%

Requested increase to align with industry peers



Return on Investments

Approval for recovery of used and useful assets



Test Year

July 2021 – June 2022



Post-Test Year Plant

12 months



Consolidate adjustors

Reduce total number of adjustors and simplify structure, move funds to base rates
Decision No. 78317



Adjustor Modification

REAC modification to cost effectively meet customer needs



Customer programs

Enhanced limited income program, payment fee removals, Time-of-Use holidays



Base Fuel Rate Update

Updates rate to better align with current costs

APS 2022 Rate Case Overview

Rate Case Proposals (Continued)



Clean Proxy Information

APS and industry information regarding clean targets and planning



Power Purchase Agreement Information

RFP information required from Decision No. 78317



AG-X program

Resource adequacy requirements in alignment with Decision No. 78317



Information on Seasonal Basic Rates

Per Decision No. 78317 provided additional versions of R-1



Additional Cost of Service Studies

Per Decision No. 78317 provided additional Cost of Service analyses



DSM Proposal

A proposal to proxy rate base treatment of DSM per Decision No. 78499

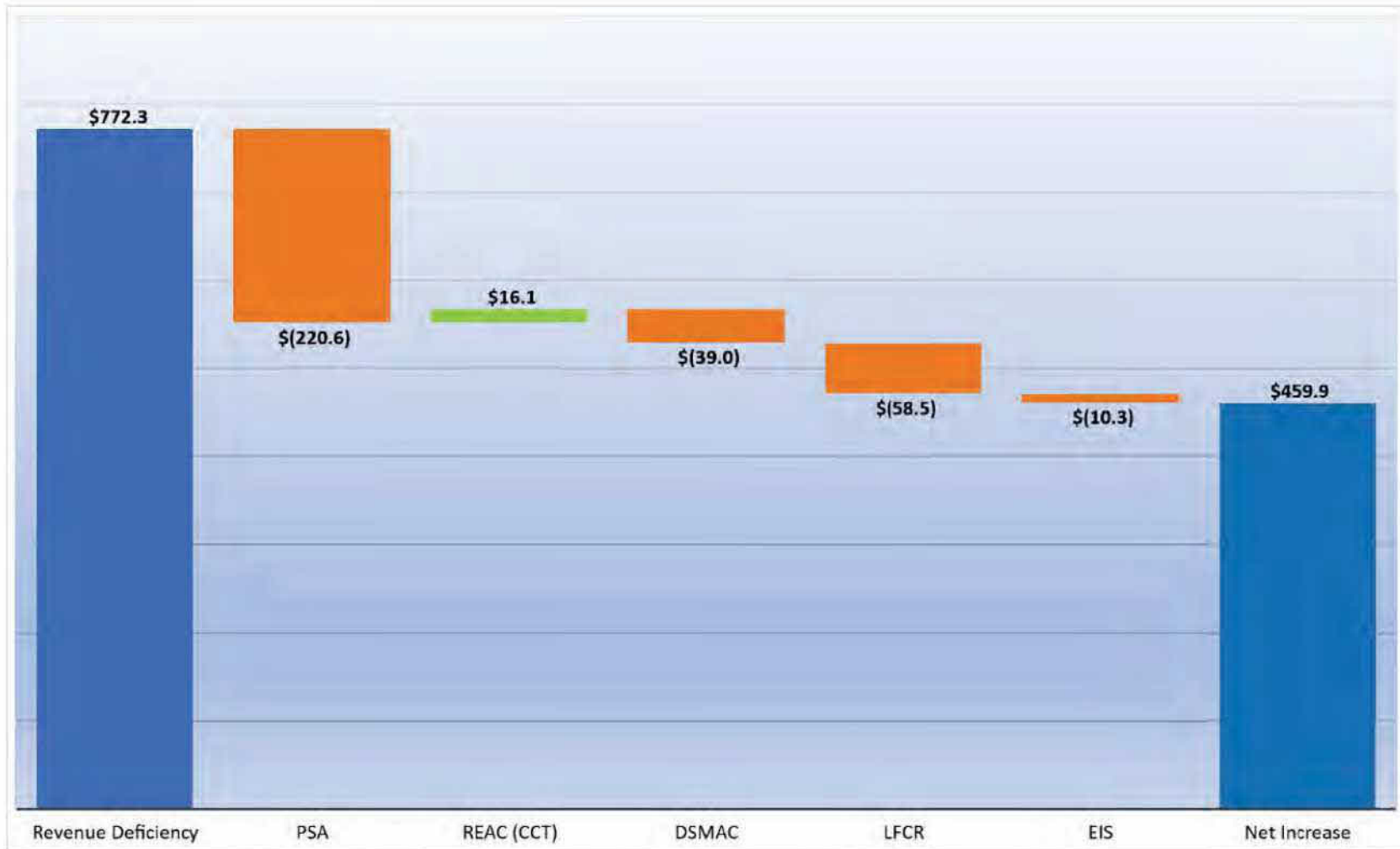
Revenue Requirement

Jessica Hobbick

Revenue Requirement

Net Impact	Dollars	%
Total Revenue Deficiency	\$772.27M	22.87%
Adjustor Transfers (LFCR, EIS, DSMAC)	-\$107.83M	-3.19%
Base Rate Increase Net of Adjustors	\$664.44M	19.68%
PSA Reduction	-\$220.59M	-6.53%
REAC Increase (CCT)	\$16.09M	0.48%
Net Impact	\$459.94M	13.62%

Adjustor Changes



Key Components

Key Components	Annual Revenue Requirement Impact (in millions)
Rate Base	\$130
12 Months Post Test Year Plant	\$140
ROE, Cost of Debt, and Capital Structure	\$78
1% Fair Value Increment	\$78
Customer Programs, CCT, Other	\$34
Total	\$460 (13.6%)



Post-Test Year Plant Key Projects:

- Downtown Phoenix Substation
- HUBwest – West Phoenix Field Services Center
- Agave Solar
- AZ Sun Battery I & II



Revenue Allocation by Class

Class	Net Impact
Residential	13.6%
General Service	
Extra-Small, Small	15.9%
Medium	13.4%
Large	13.0%
Extra-Large	9.2%
Schools	13.3%
House of Worship	13.7%
Irrigation/Municipal	13.6%
Outdoor-Lighting	13.6%
Total Retail	13.6%

Allocated across
customer classes to
achieve similar impacts

Average Residential
Monthly Impact = \$18
(1,050 kWh)

Adjustment Mechanisms

Jessica Hobbick

Adjustor Proposal

This proposal reduces customer adjustments to only 3 each year.



Pro Forma Overview

Lisa Lane

Test Year and Pro Forma Overview

Test Year July 2021 - June 2022

- APS utilizes a historical test year in its rate case application and pro forma adjustments are intended to reflect conditions during the period in which rates are to be in effect

Standard Filing Requirements A.A.C. R14-2-103

- Schedule B-2 – Rate Base (Balance Sheet)
- Schedule C-2 – Test Year Operating Income (Income Statement)

Sponsoring Witnesses

- Elizabeth Blankenship
- Jessica Hobbick
- Jamie Moe
- Jacob Tetlow

Extranet Site

- Witness Testimony
- Standard Filing Schedules
- Detailed workpapers

Pro Forma Adjustment Types & Examples

Adjust for 2019 Rate Case

- Four Corners SCR Disallowance
- Annualize Twelve (12) Months of Decision No. 78317

Reflect Customer Supporting Programs and Adjustor Proposal

- Limited Income Tiered Discount
- Customer Bill Payment Fees
- Remove and Transfer Adjustors

Known and Measurable Changes

- Normalizations and Annualizations
- Out of Period Removals

12 Months PTYP

- Plant additions used and useful
- Classified by functional area

Extranet Site Logistics

Ashley Kelly

2022 Rate Case Extranet Site Access

Must be an intervenor in the 2022 Rate Case docket

Must sign an Extranet Agreement for access

Must also sign a Protective Agreement and Exhibit A for Confidential Access

Must also sign a Protective Agreement and Exhibit B for Highly Confidential Access

Website Address:
<https://apsonline.sharepoint.com/teams/2022APSRateCase>

Extranet Site Structure

2 2022APSRateCase

Home

Application - Public

Application - Confidential

Application - Highly Conf...

Testimony - Public

Testimony - Confidential

Testimony - Highly Conf...

Stakeholder Engagement...

Stakeholder Engagement...

Stakeholder Engagement...

Data Requests - Public

Data Requests - Confiden...

Data Requests - Highly C...


Exhibits - Public

Exhibits - Confidential

News

Welcome to the APS 2022 Rate Case Extranet Site

Please use the links in the navigation bar to the left to view the various documents related to APS's 2022 Rate... Case.

 Constable, Adam April 13, 2022

Only need to access the type of folder for which you have access

Highly Confidential Folders

Include all Highly Confidential, Confidential, and Public Documents

Confidential Folders

Include Confidential and Public Documents only

Public Folders

Include Public Documents only



Extranet Site Folder Contents

Application	<ul style="list-style-type: none">• Rate Case Application and Testimony Summaries• Rate and Service Schedules (Clean and Redlined versions)• Standard Filing Requirements (in PDF and Excel)
Testimony	<ul style="list-style-type: none">• Witness Testimonies• Workpapers
Stakeholder Engagement	<ul style="list-style-type: none">• Notices of Stakeholder Meetings• Slides and Attachments from Stakeholder Meetings
Data Requests	<ul style="list-style-type: none">• Organized by Intervenor and Data Request Set• PDF of all Responses for each Data Request Set• Attachments referenced in Data Request Responses
Exhibits	<ul style="list-style-type: none">• Will include Exhibits for each Party as Hearing approaches

Have questions?

Ashley Kelly: Ashley.Kelly@aps.com

Rate Case team: Ratecase@aps.com

Q&A

Thank you for attending!

APPENDIX

Witness Testimony Topics Review

APS Witness	Topics Covered
Theodore N. Geisler <i>President, Arizona Public Service Company</i>	Rate Case Overview Revenue Requirement Preview Adjustment Mechanism Proposal and Importance of Adjustment Mechanisms Meeting the Needs of APS Customers and Commitment to Customer Experience Ensuring Power Reliability and Grid Resiliency Securing A Clean Balanced Energy Supply for Arizona
Jacob Tetlow <i>Executive Vice President of Non-Nuclear Operations</i>	Post-Test Year Plant Operations and Reliability Clean Energy Transition System Upgrades Coal Community Transition (CCT)
Monica Whiting <i>Vice President, Customer Experience and Communications</i>	Customer Experience Improvements Limited-Income Program Proposal Payment Fee Removal New Off- Peak Holidays
Andrew Cooper <i>Senior Vice President and Chief Financial Officer</i>	APS Financial Health and Its Importance to Arizona Importance of a Financially Stable Utility for Customers Financial Implications of the APS Clean Energy Commitment Importance of Adjustment Mechanisms Fair Value Increment Request Clean Energy Proxy Matrix

Witness Testimony Topics Review

APS Witness	Topics Covered
Justin M. Joiner <i>Vice President, Resource Management</i>	Resource Management: Planning and Procuring Fuel and Purchased Power Expense AG-X Program
Jessica E. Hobbick <i>Director of Regulation and Pricing</i>	Revenue Allocation to Customer Classes Adjustment Mechanism Proposal Details and Plans of Administration Limited-Income Program and Various Other Pro Formas AG-X Program Modifications Standard Filing Requirements (SFR) H Schedules Rate Design Changes to Service Schedules and Programs/Riders Elimination of Duplicative or Outdated Compliance Filings
Jamie R. Moe <i>Manager of Regulatory Affairs</i>	Cost of Service Studies Allocation of Production Capacity Costs SFR Schedule A-1, All SFR G Schedules, and Portions of Other SFR Schedules Fair Value Rate of Return Calculation Base Fuel and Purchased Power Rate
Elizabeth A. Blankenship <i>Vice President, Controller and Chief Accounting Office</i>	Historical and Forecasted Accounting Information Various SFRs and Pro Formas (Rate Base and Income Statement) Change to the Allocation of the Annual Nuclear Decommissioning Funding for Palo Verde Generating Station
Dr. Roger Morin <i>Principal, Utility Research International</i>	Cost of Capital Return on Equity Fair Value Rate of Return

Standard Filing Requirements

Standard Filing Requirements		Witnesses
"A" Schedules	Summary of the Company's overall revenue requirement request and historical test year and prior two years financial and accounting data	Mr. Moe/Ms. Blankenship
"B" Schedules	Test Year rate base information, including pro forma changes to the test year	Ms. Blankenship
"C" Schedules	Test Year operating income statements, including pro forma changes to the test year	Mr. Moe/Ms. Blankenship/Ms. Hobbick
"D" Schedules	Historical and projected cost of capital for APS	Ms. Blankenship
"E" Schedules	Historical financial and accounting information including financial statements	Ms. Blankenship
"F" Schedules	Income statements for projected calendar years	Ms. Blankenship
"G" Schedules	Summary of the Company's test year Cost of Service Study	Mr. Moe
"H" Schedules	Summary of the Company's current and proposed rates and sample bill calculations	Ms. Hobbick

"A" Schedules: Mr. Moe sponsors the ACC jurisdictional amounts that are computed based on the Cost of Service Study.

"B-1" Mr. Tetlow discusses the details of post-Test Year plant projects included in the pro formas

"C-2" Ms. Hobbick addresses the rate impacts of the proposed adjustment mechanism and customer program pro forma, Mr. Moe addresses the ACC jurisdictional amounts that are computed based on the Cost of Service Study and Fuel Expense Pro Foramas